

# District of Columbia Housing Finance Agency

Financial Statements With

Independent Auditor's Reports and  
OMB Circular A-133 Report

Years Ended September 30, 2002 and 2001



## TCBA

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

1101 15th Street, NW Suite 400 Washington, DC 20005  
PH 202.737.3300 ◻ FX 202.737.2684 ◻ [www.tcba.com](http://www.tcba.com)

# District of Columbia Housing Finance Agency

Financial Statements With

Independent Auditor's Report

Years Ended September 30, 2002 and 2001



## TCBA

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

1101 15th Street, NW Suite 400 Washington, DC 20005  
PH 202.737.3300 □ FX 202.737.2684 □ [www.tcba.com](http://www.tcba.com)

District of Columbia Housing  
Finance Agency

OMB Circular A-133 Reports

Year Ended September 30, 2002



TCBA

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

1101 15th Street, NW Suite 400 Washington, DC 20005  
PH 202.737.3300 □ FX 202.737.2684 □ [www.tcba.com](http://www.tcba.com)

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
 FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORTS  
 AND OMB CIRCULAR A-133 REPORT  
 YEARS ENDED SEPTEMBER 30, 2002 AND 2001**

**TABLE OF CONTENTS**

	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion & Analysis .....	3
<b>Basic Financial Statements</b>	
Balance Sheets .....	8
Statements of Revenue, Expenses and Changes in Net Assets.....	9
Statements of Cash Flows.....	10
Notes to Financial Statements .....	11
<b>Supplemental Information</b>	
Combining Balance Sheet.....	40
Combining Statement of Revenue, Expenses and Changes in Net Assets.....	41
Combining Statement of Cash Flows .....	42
Report on Compliance and on Internal Control over Financial Reporting Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	43
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	45
Schedule of Federal Award Expenditures .....	47
Notes to the Schedule of Federal Award Expenditures .....	48
Schedule of Findings and Questioned Costs.....	50

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
District of Columbia Housing Finance Agency

We have audited the accompanying basic financial statements of the District of Columbia Housing Finance Agency (“the Agency”), a component unit of the District of Columbia Government, as of and for the years ended September 30, 2002 and 2001. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of September 30, 2002 and 2001, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Agency adopted the provisions of Governmental Accounting Standards Board Statement No. 34, “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments”, Statement No. 37, “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus”, and Statement No. 38, “Certain Financial Statement Note Disclosures”, as of and for the year ended September 30, 2002.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining financial statements on pages 40 through 42 are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2002, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Washington, D.C.  
December 31, 2002

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Management's discussion and analysis of the District of Columbia Housing Finance Agency's financial performance provides an overview of the Agency's financial activities for the year ended September 30, 2002. The financial statements, accompanying notes, and additional information should be read in conjunction with the following discussion.

### OVERVIEW

The District of Columbia Housing Finance Agency (the Agency) was established in 1979 to stimulate and expand homeownership and rental housing opportunities in Washington, D.C. The Agency accomplishes its mission by issuing mortgage revenue bonds that lower the homebuyers' costs of purchasing and rehabilitating homes and the developers' costs of acquiring, constructing, and rehabilitating rental housing. The Agency uses funds to account for its financial activities. The General Fund is used to record the receipt of income not directly pledged for repayment of securities, to pay expenses related to the Agency's administrative functions, and to account for grant revenues and expenditures related to Section 8 grants from U. S. Department of Housing and Urban Development. The other funds are used to account for bond proceeds and debt service related to multifamily and single family mortgage revenue bonds and to account for certificates of participation, revenues and expenses related to the Building Finance Corporation.

### FINANCIAL HIGHLIGHTS

The following information is an analysis of the year ended September 30, 2002.

- The Agency's net assets increased by \$16.255 million, mainly as a result of increased financing activities in multifamily rental housing rehabilitation and new construction.
- Bonds issued increased by \$228.545 million as a result of the issuance of \$89.6 million in multifamily revenue bonds and \$138.945 million in single family draw-down series 1999A. Overall, \$45.205 million more in bonds were issued than retired.
- Operating revenues for fiscal year 2002 were \$78.33 million which is 4.6% lower than last year, while operating expenses were \$73.217 million which is 0.9% below last year. The decrease in operating revenues is mainly due to the decrease in unrealized gains on mortgage-backed securities of the Single Family bond program that are a component of the operating revenue. In fiscal year 2001, unrealized gains on mortgage-backed securities were 15% or \$12.440 million of operating revenue, while in fiscal year 2002, unrealized gains were 5% or \$3.705 million of operating revenues, resulting in a net reduction of \$8.735 million. Exercising GNMA options and the Purchase Agreement dated October 11, 1996 by broker/dealer to purchase GNMA certificates on any date on or after June 1, 2000, related to single family 1988 series C and 1990 series A coupled with pre-payments of mortgages fueled by low interest rate market negatively affected operating revenues.

**Table 1**  
**Condensed Balance Sheet**  
**September 30, 2002**

Current assets	\$ 22,061,940
Noncurrent assets	<u>1,036,779,750</u>
<b>Total Assets</b>	<b><u>\$1,058,841,690</u></b>
Current liabilities	\$ 76,955,145
Noncurrent Liabilities	<u>906,226,584</u>
<b>Total liabilities</b>	<b><u>983,181,729</u></b>
Net assets:	
Invested in capital assets, net of related debt	<u>1,023,293</u>
Restricted for:	
Bond Fund and Risk Share Program	48,350,313
McKinney Act Fund	<u>5,398,908</u>
	<u>53,749,221</u>
Unrestricted	<u>20,887,447</u>
<b>Total Net Assets</b>	<b><u>75,659,961</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$1,058,841,690</u></b>

**Table 2**  
**Condensed Statement of Revenues, Expenses,**  
**and Changes in Net Assets**  
**Year Ended September 30, 2002**

<b>Operating Revenues</b>	
Mortgage-backed security income	\$28,731,790
Interest on mortgage and construction loans	16,599,851
McKinney Act revenue	666,439
Application and commitment fees	101,486
HUD Section 8 housing assistance receipts	13,064,801
Service project receipts	6,235,820
Other	<u>12,929,739</u>
Total operating revenues	<u>78,329,926</u>
<b>Operating Expenses</b>	<b><u>73,216,510</u></b>
<b>Operating Income</b>	<b>5,113,416</b>
Non-operating revenues	11,209,949
Extraordinary Item – Loss on Extinguishment of Debt	<u>(67,961)</u>
<b>Change in Net Assets</b>	<b><u>\$16,255,404</u></b>

## **NEW BUSINESS**

During fiscal year 2002, the Agency developed a Five-Year Business Plan that each year aligns individual, divisional and agency plans and objectives with the affordable housing plans and objectives of the Government of the District of Columbia (the District). Organizational reforms that effectively leveraged and strategically directed the investment of public and private funds into target communities were instituted in alliance with our housing partners. This resulted in the Agency financing 1,888 units of affordable new, ownership and rehabilitated housing, a \$4 million McKinney Act Loan program, and the launching of several new initiatives, including the Mayor's Teachers Housing Initiative and George Washington University's Home program with Fannie Mae and Riggs Bank to provide homeownership workshops at the George Washington University.

The Agency incorporated D.C Housing Authority and the Department of Housing and Community Development projects into the Agency's funding objectives as well as incorporated the Agency's projects within the Office of Planning mapping overlay of citywide housing and economic development.

Bill 14-345, the HFA Amendment Act voted out of Committee on Economic Development of the City Council, grants authority to the Agency to own and develop real estate to expand the inventory of affordable housing in the nation's capital.

## **DEBT ADMINISTRATION**

The Agency experienced an increase in bonds payable of 5.23% over the prior year. In fiscal year 2002, the Agency issued \$89.6 million in multifamily revenue bonds to finance the construction and rehabilitation of nine projects. Upon completion, these projects will make available 1,491 rental units. The Agency also issued \$138.945 million in single family draw-down bonds during fiscal year 2002. Accreted interest on capital appreciation bonds was \$0.17 million and \$0.06 million for Single Family and Multifamily bonds, respectively, for fiscal year 2002.

The Agency retired \$31.893 million in multifamily bonds while retiring \$152.116 million in single family bonds. The Agency also redeemed \$0.095 million in Certificates of Participation.

## **CAPITAL ASSETS**

The Agency issued \$2.4 million of Certificates of Participation in 1998 to finance the acquisition of the building at 815 Florida Avenue, N.W., Washington, D.C. and entered into a lease agreement with the D. C. Building Finance Corporation to lease the office space. The lease term is through June 2018; however, the Agency has an annual right to terminate the lease in the event that the Agency fails to appropriate sufficient amounts due under the lease terms for the ensuing fiscal year. The Agency has the option to purchase the building at any time during the lease at an amount necessary to discharge the Certificates of Participation. As of September 30, 2002, the lease agreement has about sixteen years remaining with an outstanding balance of \$2.055 million of Certificates of Participation. The Agency redeemed \$0.095 million of Certificates of Participation in fiscal year 2002.

## **PROGRAMS**

***Multifamily*** - In fiscal year 2002, the DCHFA funded over 1,727 rental units, of which 176 units are new housing. Out of nine multifamily projects funded, five are in the rapidly gentrifying neighborhood, and others are in the neighborhoods that may soon experience steeply rising rents. While about 319 units will be for seniors, over 1,100 units will be occupied by households earning less than 50% of the area median income, which for a family of four is less than \$45,720.

***Single Family*** - Falling rates for conventional single-family mortgages narrowed the gap between market rate and Agency-offered products, and for that reason, the Agency stressed the blending of HOME funds with bond proceeds to reach the lower income segment of the population that conventional mortgage companies fall short of serving. The majority of the 161 homeowners in fiscal year 2002 were beneficiaries of this endeavor.

## **SECTION 8 HAP CONTRACT ADMINISTRATION**

The Agency has entered into a contractual agreement with the United States Department of Housing & Urban Development (HUD) to administer Section 8 Housing Assistance Payments for eleven projects. The HFA earned \$327,503 in contract administration fees for fiscal year 2002.

## **DCHFA HUD RISK-SHARING PROGRAM**

The Agency has also entered into a risk-sharing contractual agreement with HUD, where a multifamily project is insured by the Federal Housing Administration (FHA) for 90% of the mortgage while 10% of the mortgage is insured by the Agency. In order to participate in this program, the Agency deposited \$500,000 in a reserve account with Merrill Lynch. With every risk-share, an FHA placement fee of 1% of the mortgage balance is collected and deposited into the reserve account. In fiscal year 2002, four multifamily deals totaling \$18.102 million in mortgages are Risk-Sharing. The reserve account has a balance of \$1,089,218.

## **SUBSEQUENT EVENTS**

On October 1, 2002 the Agency made a McKinney Act loan to The Carver 2000 Tenants Association, Inc., in the amount of \$2.39 million for acquisition of the George Washington Carver Apartments. In addition, the Agency issued multi-family revenue bonds Series 2002 for \$30 million and Series 2002 I for \$4.08 million dated October 1, 2002, and Series 2002 for \$4.14 million dated October 24, 2002. On December 13, 2002 issued Single Family Draw-Down Series 2002 for \$300 million, concurrently redeeming Single Family Draw-Down Series 1999 for \$230.13 million. On December 30, 2002, the Agency issued Multifamily revenue bonds Series 2002J for \$16.125 million.

## **ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments". The Agency adopted GASB Statement No. 34 as of and for the year ended September 30, 2002. The Agency is a component unit of the District for reporting purposes and is included in the District's

Comprehensive Annual Financial Report as a discretely presented component unit.

## **CONCLUSION**

The above discussion and analysis is presented to provide additional information regarding the activities of the Agency and also to meet the disclosure requirements of GASB Statement No. 34. If you have questions about the report or need additional financial information, contact the Chief Financial Officer, Solomon Haile, District of Columbia Housing Finance Agency, (202) 777-1620, 815 Florida Avenue, N.W., Washington DC 20001, [shaile@dchfa.org](mailto:shaile@dchfa.org) or go to our website at [www.dchfa.org](http://www.dchfa.org).

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**BALANCE SHEETS**  
**SEPTEMBER 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 3)	\$ 12,800,633	\$ 12,174,326
Restricted cash and cash equivalents (Note 3)	8,390,020	7,843,001
Other receivables	618,101	542,005
Mortgage and construction loans receivable (Note 4)	<u>253,186</u>	<u>280,421</u>
Total current assets	<u>22,061,940</u>	<u>20,839,753</u>
<b>NON-CURRENT ASSETS:</b>		
Restricted assets:		
Cash and cash equivalents (Note 3)	248,803	521,201
Investments held in trust (Note 3)	337,639,242	314,193,116
Mortgage backed securities at fair value (Note 3)	318,265,432	324,973,672
Mortgage and construction loans receivable (Note 4)	331,424,966	283,133,491
Rehab financed by tax credits	8,703,871	3,957,993
Loans receivable	1,493,400	1,406,270
McKinney Act funds receivable	1,694,380	2,274,036
Other receivables	8,591,532	10,256,358
Accrued interest receivable	<u>4,582,849</u>	<u>6,786,137</u>
Total restricted assets	<u>1,012,644,475</u>	<u>947,502,274</u>
Capital assets, net of accumulated depreciation (Note 5)	<u>3,094,218</u>	<u>3,042,021</u>
Other assets:		
Investments (Note 3)	4,998,402	4,224,473
Loans receivable	158,166	163,649
Prepays	184,828	304,704
Bond issue costs—net	<u>15,699,661</u>	<u>15,243,097</u>
Total other assets	<u>21,041,057</u>	<u>19,935,923</u>
Total non-current assets	<u>1,036,779,750</u>	<u>970,480,218</u>
<b>TOTAL ASSETS</b>	<u>\$1,058,841,690</u>	<u>\$991,319,971</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 1,550,630	\$ 2,777,383
Accrued salary and vacation payable	175,511	151,772
Deferred revenue	580,822	657,272
Current portion of bonds payable (Note 6)	14,405,000	102,820,000
Current portion of Certificates of Participation (Note 9)	<u>100,000</u>	<u>95,000</u>
Total current liabilities	<u>16,811,963</u>	<u>106,501,427</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Tenant subsidy funds	856,901	1,350,384
Escrow deposits	1,359,034	1,192,796
Deferred credits (Note 7)	44,808,969	41,986,485
Deferred revenue (Note 8)	2,140,906	2,813,631
Interest payable	<u>10,977,372</u>	<u>12,430,048</u>
Total current liabilities payable from restricted assets	<u>60,143,182</u>	<u>59,773,344</u>
<b>NONCURRENT LIABILITIES:</b>		
Deferred revenue-less current portion (Note 8)	364,537	729,082
Loans payable	11,012,742	3,677,447
Bonds payable-less current portion (Note 6)	892,894,305	759,179,114
Certificate of Participation-less current portion (Note 9)	<u>1,955,000</u>	<u>2,055,000</u>
Total noncurrent liabilities	<u>906,226,584</u>	<u>765,640,643</u>
Total liabilities	<u>983,181,729</u>	<u>931,915,414</u>
<b>NET ASSETS:</b>		
Invested in capital assets—net of related debt	<u>1,023,293</u>	<u>872,796</u>
Restricted for:		
Bond Fund and Risk Share Program	48,350,313	32,632,888
McKinney Act Fund	<u>5,398,908</u>	<u>4,797,793</u>
Total restricted net assets	<u>53,749,221</u>	<u>37,430,681</u>
Unrestricted net assets	<u>20,887,447</u>	<u>21,101,080</u>
<b>TOTAL NET ASSETS</b>	<u>75,659,961</u>	<u>59,404,557</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$1,058,841,690</u>	<u>\$991,319,971</u>

The accompanying notes are an integral part of these financial statements.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2002 AND 2001**

	2002	2001
<b>OPERATING REVENUES:</b>		
Mortgage-backed security income	\$28,731,790	\$32,787,064
Interest on mortgage and construction loans	16,599,851	15,957,800
HUD Section 8 housing assistance receipts (Note 11)	13,064,801	12,987,275
Service project receipts (Note 11)	6,235,820	5,909,850
McKinney Act revenue	666,439	822,726
Application and commitment fees	101,486	85,812
Other (Note 13)	<u>12,929,739</u>	<u>13,574,438</u>
Total operating revenues	<u>78,329,926</u>	<u>82,124,965</u>
<b>OPERATING EXPENSES:</b>		
Operations	4,215,651	3,759,060
Personnel and related costs	3,236,576	2,723,323
Depreciation and amortization	237,037	171,377
Program payments	10,282,457	10,000,095
Housing assistance payments	9,018,164	8,897,030
Bond amortization	3,120,445	910,541
Trustee fees and other expenses	3,398,269	3,824,304
Interest expense	<u>39,707,911</u>	<u>43,625,837</u>
Total operating expenses	<u>73,216,510</u>	<u>73,911,567</u>
<b>OPERATING INCOME</b>	<u>5,113,416</u>	<u>8,213,398</u>
<b>NON-OPERATING REVENUES:</b>		
Investment income	<u>11,209,949</u>	<u>17,392,466</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE EXTRAORDINARY ITEM</b>	16,323,365	25,605,864
<b>EXTRAORDINARY ITEM – LOSS ON EXTINGUISHMENT OF DEBT (Note 15)</b>	<u>(67,961)</u>	<u>(98,331)</u>
<b>CHANGE IN NET ASSETS</b>	16,255,404	25,507,533
<b>NET ASSETS, Beginning of Year</b>	<u>59,404,548</u>	<u>33,897,015</u>
<b>NET ASSETS, End of Year</b>	<u>\$75,659,952</u>	<u>\$59,404,548</u>

The accompanying notes are an integral part of these financial statements.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2002 AND 2001**

	2002	2001
<b>Operating Activities:</b>		
Cash receipts from (purchases to) loans and interest	\$ 27,572,343	\$ 43,744,782
Other cash receipts	13,030,019	11,102,099
Cash payments to vendors	(2,195,826)	(1,313,612)
Cash payments to employees	(3,212,838)	(2,724,211)
Receipts of federal program income	18,807,835	20,132,278
Payments of federal program expenses	(19,301,318)	(18,897,125)
Other cash payments	<u>(6,448,859)</u>	<u>(7,151,919)</u>
Net Cash Provided	<u>28,251,356</u>	<u>44,892,292</u>
<b>Capital and Related Financing Activities:</b>		
Acquisition of fixed assets	(289,233)	(242,988)
Payments of long term debt	(95,000)	(90,000)
Payments of interest and charges	<u>(111,275)</u>	<u>(114,095)</u>
Net Cash Used	<u>(495,508)</u>	<u>(447,083)</u>
<b>Non-Capital Financing:</b>		
Proceeds in rehab financed by tax credits	(32,420,016)	(11,549,915)
Proceeds from long term bonds	228,774,479	210,137,282
Payments of long term debt	(184,008,367)	(178,530,000)
Payments of interest and charges	(41,416,432)	(45,047,526)
Proceeds of notes/loans payable	<u>7,335,295</u>	<u>3,677,447</u>
Net Cash Used	<u>(21,735,041)</u>	<u>(21,312,712)</u>
<b>Investing Activities:</b>		
Receipts of interest and dividends	13,161,104	14,828,026
Purchase of investments	(507,572,594)	(504,091,339)
Sale of investments	<u>489,291,611</u>	<u>476,568,846</u>
Net Cash Used	<u>(5,119,879)</u>	<u>(12,694,467)</u>
Net Increase in Cash	900,928	10,438,030
Cash and cash equivalents at October 1	<u>20,538,528</u>	<u>10,100,498</u>
Cash and cash equivalents at September 30	<u>\$ 21,439,456</u>	<u>\$ 20,538,528</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 5,113,416	\$ 8,213,407
Extraordinary loss	(67,961)	(98,331)
Depreciation	237,037	171,458
Miscellaneous nonoperating revenue	31,903,061	43,350,692
Receivables	1,027,821	(1,543,202)
Other current assets	46,381	(9,540,898)
Loans receivable	(81,647)	(76,931)
Payables	(1,226,751)	572,538
Accrued liabilities	23,738	(888)
Deferred revenue and credits	2,153,399	269,412
Other current liabilities and changes in mortgage loans	<u>(10,877,138)</u>	<u>3,575,035</u>
Net Cash Provided	<u>\$ 28,251,356</u>	<u>\$ 44,892,292</u>

The accompanying notes are an integral part of these financial statements.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 1: ORGANIZATION AND PURPOSE**

The District of Columbia Housing Finance Agency (the Agency) was created as a corporate body which has a legal existence separate from the Government of the District of Columbia (the District) but which is an instrumentality of the District, created to effectuate certain public purposes. The Agency was empowered to, among other authorized activities, generate funds from public and private sources to increase the supply of, and to lower the cost of, funds available for residential mortgages and notes and for the construction of permanent multi-family rental properties.

In 1991, the Governmental Accounting Standards Board issued Statement No. 14, *The Financial Reporting Entity*. The definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the Agency considered whether its officials appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Agency. The Agency also considered whether there are organizations that are fiscally dependent on it. It was determined that there are no component units of the Agency.

The Agency is included in the District's Comprehensive Annual Financial Report as a Discretely Presented Component Unit.

The Agency established the District of Columbia Building Finance Corporation (the Building Corporation) as a nonprofit corporation under the laws of the District of Columbia in July 1998. The Building Corporation's financial transactions are included as a separate fund of the Agency.

The bonds issued by the Agency and the Corporation are payable principally from repayments of mortgage loans financed by or purchased from the proceeds of such bonds and are not a debt of the Agency or the District. Neither the faith and credit nor the taxing power of the District is pledged for the repayment of the bonds.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Adoption of New Accounting Standards** - During fiscal year 2002, the Agency adopted GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion Analysis—for State and Local Governments: Omnibus*, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001, and GASB Statement No. 38,

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Certain Financial Statement Note Disclosures*, issued in 2001. The impact was on the presentation of net assets, the presentation of certain notes to the financial statements, the inclusion of management's discussion and analysis, and the preparation of the statement of cash flows using the direct method.

The following is a summary of significant accounting policies:

**Basis of Accounting** – For financial reporting purposes only, the Agency is a component unit of the District of Columbia Government. The operations of the Agency are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. The financial activities of the Agency are recorded in funds, each of which represents a separate accounting entity. The Agency uses the accrual method of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The following is a description of the funds maintained by the Agency:

**General Fund** - The General Fund is used to record the receipt of income not directly pledged for repayment of securities, to pay expenses related to the Agency's administrative functions, and to account for grant revenues and expenditures related to the Section 8A grants from HUD.

**Multi-Family Program Fund** - The Multi-Family Program Fund is used to account for the proceeds of multi-family mortgage revenue bond issues, investments held pursuant to the indenture authorizing the issuance of the bonds, the debt service requirements on the bonds, and the related mortgage loan financing for newly constructed or rehabilitated multi-family rental housing in the District of Columbia.

**Single-Family Program Fund** - The Single-Family Program Fund is used to account for the proceeds of single-family mortgage revenue bond issues, investments held pursuant to the indenture authorizing the issuance of the bonds, the debt service requirements on the bonds, and debt service collected from mortgage loans purchased for the financing of owner-occupied single-family residences in the District of Columbia.

**D.C. Building Finance Corporation Fund** - The D.C. Building Finance Corporation Fund is used to account for the lease and Certificates of Participation issued by the Agency to finance the purchase of a building.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments** - Investments of the General Fund are made in accordance with the Agency's investment policy, which generally includes instruments issued or secured by the United States Government or covered by Federal insurance programs. These funds have been designated for use by the Agency for mortgage insurance premiums, maintenance costs related to federal financial assistance programs, and other contingencies.

Investments in the other funds consist of those permitted by the respective trust indentures adopted by the Agency providing for the issuance of notes and bonds.

**Mortgage-Backed Securities** - Mortgage-backed securities represent certificates issued by the Government National Mortgage Association ("GNMA") and FANNIE MAE which guarantee the receipt by the Agency's trustee of monthly principal and interest from mortgages originated under the Agency's Single-Family and Multi-Family Loan Programs.

**Mortgage and Construction Loans Receivable** - Mortgage and construction loans are carried at amounts advanced, net of collections and allowances for potential loan losses, if any. As of September 30, 2002 and 2001, no allowance for potential loan losses was necessary.

**Property, Furniture and Equipment** - Property, furniture and equipment purchases are capitalized at cost and depreciated using the straight-line method over the estimated useful lives ranging from five to seven years.

**Leasehold Improvements** - Capital improvements to leased space are recorded as leasehold improvements and amortized over the shorter of the applicable lease life or the useful life of the improvement.

**Bond Issuance Costs** - Costs related to the issuance of bonds and participation certificates are amortized over the life of the related debt on a straight-line basis, which approximates the effective yield method, or are recognized upon early redemption of the bonds.

**Bond Discounts and Premiums** - Bond discount or premium arising from the sale of serial or term bonds is amortized using the straight-line method which approximates the effective yield method, over the life of the bond issue.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Bond Accretion** - Interest on multiplier bonds or capital appreciation bonds (which do not pay interest during the life of the bonds) is added to the bond principal outstanding as interest is earned. The increase in value is recorded as a liability in bonds payable on the combined balance sheet and as interest expense on the combined statement of revenues, expenses and changes in net assets.

**Loan Origination and Commitment Fees** - The Agency originates single family mortgage loans and earns fees for these loan originations. The Agency also charges application and financing fees to developers and participating lenders for commitments on financing. These fees are recognized as revenue when the services have been performed.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Statements of Cash Flows** - The Agency has presented statements of cash flows using the direct method as required by Government Accounting Standards Board Statement No. 34 for the years ended September 30, 2002 and 2001. For purposes of the statements of cash flows, the Agency considers highly liquid investments with original maturities of three months or less to be cash equivalents.

**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents** - The Agency's combined cash balance as of September 30, 2002, consists primarily of amounts held in trust accounts that are under the control of the Agency's trustees. Those amounts held in trust accounts and other demand deposit accounts are insured by Federal Deposit Insurance Corporation (FDIC) to the extent required by law.

Approximately \$4,433,619 of (McKinney Act Savings) are restricted in nature as they are only to be used to benefit very low income persons. In addition, \$118,449 is restricted and represents the DCHFA Minority Contractor Loan Fund Escrow.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)**

As of September 30, 2002 and 2001, \$17,296,834 and \$16,254,387 respectively, were not insured by the FDIC; however, U.S. Treasury and other securities with a market value of \$18,813,077 are pledged as collateral, with the Federal Reserve Bank, and \$1,131,160 is also pledged as collateral held by a bank through a triparty collateral agreement.

**Investments** - The Agency's investments as of September 30, 2002, are shown below. Category A includes investments that are insured, registered or for which securities are held by the Agency or its agent in the Agency's name.

Category B includes uninsured or unregistered investments with securities held by the broker's or dealer's trust department or its safekeeping agent in the Agency's name.

These investments are with major financial institutions under which each financial institution has insured the Agency from market risk and has agreed to pay a guaranteed interest rate. In addition, each financial institution has deposited with its trust department, in the Agency's name, qualifying securities in an amount equivalent to principal and interest.

Substantially all investments of the Multi-Family Program Fund, Housing Finance Corporation Fund, and the Single-Family Program Fund are restricted for advances or purchases of mortgage and construction loans and payment of debt service on related bonds.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)**

	Category A	Category B	Cost	Fair Value
U.S. Government Securities:				
General Fund	\$ 991,280	\$ -	\$ 991,280	\$ 991,280
Money Market Accounts:				
Multi-Family	-	22,529,573	22,529,573	22,529,573
Single-Family	-	6,743,241	6,743,241	6,743,241
Building Fund	-	244,209	244,209	244,209
Fed. Nat. Mortgage Assoc. Investment Agreements:				
General Fund	-	800,000	800,000	817,932
Multi-Family	-	1,021,523	1,021,523	1,021,523
Single Family	-	439,985	439,985	439,985
Bank Investment Agreements:				
General Fund	100,000	-	100,000	100,000
Multi-Family	-	12,835,065	12,835,065	12,835,065
Single Family	-	4,146,078	4,146,078	4,146,078
Corporation Investment Agreements:				
General Fund	2,071,790	-	2,071,790	1,937,881
Multi-Family	-	44,233,226	44,233,226	45,646,532
Single Family	-	244,133,477	244,133,477	244,033,036
Debt Securities Investments -				
General Fund	<u>1,151,969</u>	<u>-</u>	<u>1,151,969</u>	<u>1,151,309</u>
Total	<u>\$ 4,315,039</u>	<u>\$ 337,126,377</u>	<u>\$ 341,441,416</u>	\$ 342,637,644
Less: unrestricted investments				<u>(4,998,402)</u>
Restricted investments held in trust				<u>\$337,639,242</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 3: CASH/CASH EQUIVALENTS AND INVESTMENTS (Continued)**

As of September 30, 2002 and 2001, the bond program funds held GNMA and FANNIE MAE Certificates as follows:

	<b>2002</b>	<b>2001</b>
Single-Family Program Fund	\$249,349,151	\$296,750,615
Multi-Family Program Fund	<u>68,916,281</u>	<u>28,223,057</u>
	<u>\$318,265,432</u>	<u>\$324,973,672</u>

During fiscal year 1998, the Agency changed its method of accounting for investments, as provided under GASB Statement No. 31 of the Governmental Accounting Standards Board. This requires governmental entities to report investments at fair value in the balance sheet and recognize changes in the fair value of investments in the statement of revenue, expenses and changes in fund balances.

The Agency's Single Family Program recorded unrealized gains of \$3,704,927 and \$12,439,931 for fiscal years 2002 and 2001, respectively. The Agency's Multifamily Program recorded unrealized gains of \$3,990,090 and \$885,068 in fiscal years 2002 and 2001, respectively. These significant variances in fair value are caused by interest rate fluctuations and would be realized only upon sale of the securities. For all practical purposes, the GNMA and FANNIE MAE certificates are held until maturity, being reduced by the corresponding monthly remittances received over the life of the related mortgage loans, at the stated interest rate. Given the foregoing and notwithstanding the reporting requirements of GASB Statement No. 31, these fluctuations do not have a deleterious effect on the Agency's financial performance.

**NOTE 4: MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE**

Mortgage and construction loans receivable are secured by deeds of trust evidencing first mortgage liens on related real property. These loans are either insured by the Federal Housing Administration ("FHA"), the Veteran Administration ("VA"), or by private mortgage insurance up to a maximum of 90% of the outstanding mortgages. Both FHA and VA are U.S. Government agencies. Interest rates on these loans range from 5.74% to 12.00% and the loans have a repayment period of up to 40 years. Mortgage and construction loans as of September 30, 2002, and 2001, were as follows:

	<b>2002</b>	<b>2001</b>
Restricted mortgage & construction loans receivable	\$331,424,966	\$283,133,491
Unrestricted mortgage & construction loans receivable	<u>253,186</u>	<u>280,421</u>
	<u>\$331,678,152</u>	<u>\$283,413,912</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 5: PROPERTY, FURNITURE AND EQUIPMENT**

Property, furniture and equipment consist of the following:

	<u>September 30, 2001</u>	<u>Additions</u>	<u>September 30, 2002</u>
Land	\$ 573,000	\$ -	\$ 573,000
Building	1,795,238	-	1,795,238
Furniture and equipment	961,486	282,912	1,244,398
Software	<u>158,264</u>	<u>1,705</u>	<u>159,969</u>
Total	3,487,988	284,617	3,772,605
Leasehold improvements	<u>976,763</u>	<u>4,616</u>	<u>981,379</u>
Total	<u>4,464,751</u>	<u>289,233</u>	<u>4,753,984</u>
Depreciation	(1,027,262)	(191,085)	(1,218,347)
Amortization	<u>(395,468)</u>	<u>(45,951)</u>	<u>(441,419)</u>
Less accumulated depreciation and amortization	<u>(1,422,730)</u>	<u>(237,036)</u>	<u>(1,659,766)</u>
Total Capital Assets	<u>\$ 3,042,021</u>	<u>\$ 52,197</u>	<u>\$ 3,094,218</u>
	<u>September 30, 2000</u>	<u>Additions</u>	<u>September 30, 2001</u>
Land	\$ 573,000	\$ -	\$ 573,000
Building	1,795,238	-	1,795,238
Furniture and equipment	856,338	105,148	961,486
Software	<u>30,000</u>	<u>128,264</u>	<u>158,264</u>
Total	3,254,576	233,412	3,487,988
Leasehold improvements	<u>976,187</u>	<u>9,576</u>	<u>976,763</u>
Total	<u>4,221,763</u>	<u>242,988</u>	<u>4,464,751</u>
Depreciation	(899,301)	(127,961)	(1,027,262)
Amortization	<u>(351,971)</u>	<u>(43,497)</u>	<u>(395,468)</u>
Less accumulated depreciation and amortization	<u>(1,251,272)</u>	<u>(171,458)</u>	<u>(1,422,730)</u>
Total Capital Assets	<u>\$ 2,970,491</u>	<u>\$ 71,530</u>	<u>\$ 3,042,021</u>

There were no disposals during the year ended September 30, 2002 and 2001. Depreciation and amortization expenses for fiscal years 2002 and 2001 were \$237,036 and \$171,458, respectively.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE**

Bonds payable consists of term and serial bonds which are subject to redemption at the option of the Agency or borrower in accordance with the terms of the respective bond indenture and bond resolution, in whole or in part, on various dates at prescribed redemption prices. Included in certain bond issues are capital appreciation bonds. The principal amount of these bonds appreciate based on either annual or semi-annual compounding on the original principal balance. These bonds are recorded in the financial statements at their current appreciated amounts. Bonds have been issued to provide financing for the Agency's housing programs and are collateralized by:

- Mortgage loans made on the related multi-family developments or single-family residential mortgage loans purchased.
- Substantially all revenues, mortgage payments, and recovery payments received by the Agency from mortgage loans made on the related developments.
- Certain accounts, generally debt service reserve funds, established pursuant to the indenture authorizing issuance of the bonds.

The following is a summary of bonds outstanding by program fund (subject to varying redemption provisions) as of September 30, 2002 and 2001:

**Single Family Program Fund**

The Single-Family Mortgage Bonds outstanding are as follows:

	<u><b>2002</b></u>	<u><b>2001</b></u>
1) 1986 Series I serial and capital appreciation bonds due March 1, 2000 through September 1, 2016 with interest rates ranging from 7.60% to 9.50%.	4,097,000	\$5,157,000
2) 1988 Series A serial bonds due December 1, 1997 through June 1, 2019 with interest rates ranging from 7.4% to 8.375%.	2,170,000	2,780,000
3) 1988 Series B serial bonds due December 1, 1999 through December 1, 2018 with interest rates ranging from 7.4% to 8.25%.	1,885,000	2,525,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

	<u>2002</u>	<u>2001</u>
4) 1988 Series C serial bonds due December 1, 1997 through December 1, 2022 with interest rates ranging from 6.80% to 7.85%.	-	15,100,000
5) 1988 Series D serial bonds due December 1, 1999 through December 1, 2022 with interest rates ranging from 6.8% to 8.25%.	5,370,000	7,895,000
6) 1988 Series E2 serial bonds due December 1, 1997 through December 1, 2022 with interest rates ranging from 6.90% to 7.70%.	9,630,000	11,690,000
7) 1988 Series E3 serial bonds due December 1, 1997 through December 1, 2019 with interest rates ranging from 6.90% to 7.85%.	3,510,000	4,275,000
8) 1988 Series E4 serial bonds due June 1, 1999 through June 1, 2026 with interest rates ranging from 4.8% to 6.375%.	15,440,000	16,105,000
9) 1988 Series F1 serial bonds due December 1, 1999 through June 1, 2026 with interest rates ranging from 4.8% to 6.375%.	7,430,000	10,440,000
10) 1990 Series A serial bonds due December 1, 1997 through December 1, 2023 with interest rates ranging from 7.15% to 8.10%.	3,265,000	12,870,000
11) 1990 Series B serial bonds due December 1, 1997 through December 1, 2024 with interest rates ranging from 5.90% to 7.1%.	6,060,000	6,925,000
12) 1990 Series C4 serial bonds due December 1, 1997 through December 1, 2024 with interest rates ranging from 3.60% to 6.35%.	4,055,000	4,335,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

	<u><b>2002</b></u>	<u><b>2001</b></u>
13) 1994 Series A serial bonds due December 1, 2027 with an interest rate of 7.05%.	8,285,000	9,750,000
14) 1995 Series A serial bond due December 1, 2026 with interest rates ranging from 4% to 6.4%.	6,520,000	7,945,000
15) 1996 Taxable Series capital appreciation bonds due November 1, 2011 with interest rates of 7.625%.	1,983,980	2,609,783
16) 1996 Series A serial and term bonds due December 1, 2000 through December 1, 2028 with interest rates ranging from 4.25% to 6.75%.	22,600,000	26,060,000
17) 1997 Series B serial and term bonds due December 1, 2001 through December 1, 2028 with interest rates ranging from 4.20% to 6.35%.	24,395,000	30,555,000
18) 1998 Series A bonds due December 1, 2002 through December 1, 2029 with interest rates ranging from 4.10% to 6.25%.	30,585,000	33,945,000
19) 1999 Series A bonds due December 1, 2001 through June 1, 2030 with interest rates ranging from 4.2% to 6.65%.	31,445,000	34,825,000
20) Draw Down 1999 Series A bonds due on December 15, 2033 with an interest rate of 2.40%.	200,495,000	61,550,000
21) 2000 Series A bonds due December 1, 2002 through June 1, 2031 with interest rates ranging from 5.05% to 7.5%.	29,620,000	34,185,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

	<u>2002</u>	<u>2001</u>
23) 2000 Series C bonds due December 1, 2010 through June 1, 2031 with interest rates ranging from 5.75% to 6.25%.	8,715,000	8,750,000
24) 2000 Series D bonds due December 1, 2010 through June 1, 2031 with interest rates ranging from 5.65% to 7.45%.	29,875,000	35,000,000
26) 2001 Series A serial bond due June 1, 2001 through December 31, 2032 with interest rates ranging from 3.90% to 6.85%.	21,840,000	22,000,000
27) 2001 Series A serial bond due June 1, 2001 through December 31, 2031 with interest rates ranging from 3.90% to 6.85%.	-	35,000,000
28) 2001 Series A serial bond due June 1, 2001 through December 31, 2031 with interest rates ranging from 3.90% to 6.85%.	<u>-</u>	<u>50,000,000</u>
Subtotal	479,270,980	492,271,783
Add: Amortized Bond Premium	4,817,065	4,989,862
Less: Unamortized Bond Discount	<u>(735,705)</u>	<u>(1,396,581)</u>
Total Single-Family Program Fund	<u>\$483,352,340</u>	<u>\$495,865,064</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

**Multi-Family Program Fund**

The Multi-Family Mortgage Bonds outstanding are as follows:

	<u>2002</u>	<u>2001</u>
1) 1985 Series A & B serial bonds due December 1, 2000 to December 1, 2029 with interest rates ranging from 5.875% to 12%. <ul style="list-style-type: none"> <li>• Carmel Plaza North</li> <li>• Southern Hills</li> </ul>	\$ 8,830,000 10,948,548	\$ 8,830,000 11,037,472
2) 1987 Series A serial bond due January 1, 2026 with variable interest rates. \$ Mt. Vernon Plaza	13,105,000	13,105,000
3) 1999/1988 Series serial bonds due August 1, 1999 through February 1, 2031 with interest rates ranging from 5% to 5.85%. \$ Mayfair Mansions	13,875,000	14,050,000
4) 1989 Series A serial bonds due December 1, 2005 through October 1, 2019 with variable interest rates. \$ Fort Lincoln	7,780,000	7,995,000
5) 1991 Series serial bond due December 1, 2011 with an interest rate of 7.4%. \$ New Parkchester Apartments	6,770,000	6,985,000
6) 1992 Series A & B serial bonds due September 1, 2002 through January 1, 2025 with interest rates ranging from 6.55% to 7.25%. <ul style="list-style-type: none"> <li>• Cavalier Apartments</li> <li>• Euclid, Kenyon, Franklin, Garfield and Ritch Homes</li> </ul>	11,720,000 12,830,000	11,860,000 12,945,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

		<u>2002</u>		<u>2001</u>
7)	1992 Series C serial bonds due July 1, 2002 to July 1, 2027 with interest rates ranging from 6.25% to 6.95%. <ul style="list-style-type: none"> <li>• Chastleton Development</li> </ul>	-		14,050,000
8)	1992 Series D & E serial bonds due July 1, 2002 through July 1, 2004 with interest rates ranging from 6% to 6.375%. <ul style="list-style-type: none"> <li>• Faircliff, Ivy City and Southview Apartments</li> </ul>	6,090,000		8,425,000
9)	1993 Series A & B serial bonds due July 1, 1997 through July 1, 2025 with interest rates ranging from 5.25% to 6%. <ul style="list-style-type: none"> <li>• Southview II</li> </ul>	5,030,000		5,100,000
10)	1994 Series A & B & C serial bonds due February 1, 1997 through August 1, 2024 with interest rates ranging from 5.875% to 6.80%. <ul style="list-style-type: none"> <li>• Trinity Apartments</li> </ul>	10,130,000		10,290,000
11)	1994 Series D serial bonds due January 1, 2006 through January 1, 2023 with interest rates ranging from 6.6% to 9.75%. <ul style="list-style-type: none"> <li>• Oak Street</li> </ul>	1,805,000		1,835,000
12)	1995 Series bonds due July 1, 2025 with an interest rate of 7.525%. <ul style="list-style-type: none"> <li>• Tyler House</li> </ul>	24,200,000		24,200,000
13)	1997 Series bonds due January 1, 1999 through January 1, 2012 with interest rates ranging from 5% to 6.3%. <ul style="list-style-type: none"> <li>• Benning Road</li> </ul>	3,770,000		4,030,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

		<u>2002</u>		<u>2001</u>
14)	1998 Series bonds due January 1, 2027 with interest rate 5.2% <ul style="list-style-type: none"> <li>• Benning Heights</li> </ul>	5,935,000		5,935,000
15)	1998 Series A-2 bonds due January 1, 2022 with an interest rate of 6.5%. <ul style="list-style-type: none"> <li>• Temple Courts</li> </ul>	3,750,000		3,750,000
16)	1998 Series A-3 bonds due July 1, 2028 with an interest rate of 6.5%. <ul style="list-style-type: none"> <li>• Parcel 13</li> </ul>	1,305,000		1,305,000
17)	1998 Series A-4 bonds due January 1, 2027 with an interest rate of 5.35%. <ul style="list-style-type: none"> <li>• Congress Park II</li> </ul>	7,740,000		7,740,000
18)	1998 B Series taxable bonds due January 1, 2008 with an interest rate of 6%.	1,890,000		2,435,000
19)	1999 Series bonds due December 1, 2017 through December 1, 2027 with interest rates of 5.85% to 5.95%. <ul style="list-style-type: none"> <li>• Colorado Avenue</li> </ul>	950,000		965,000
20)	1999 Series bonds due January 1, 2003 with an interest rate of 6%. <ul style="list-style-type: none"> <li>• Wheeler Creek</li> </ul>	-		12,000,000
21)	1999 Series bonds due August 1, 2008 through August 1, 2026 with interest rates ranging from 4.4% to 5.15%. <ul style="list-style-type: none"> <li>• Burke, Randolph, Ft. Stevens and 7<sup>th</sup> St.</li> </ul>	8,890,000		9,050,000
22)	1999 Series bonds due February 20, 2009 through February 20, 2041 with interest rates ranging from 5.2% to 5.75%. <ul style="list-style-type: none"> <li>• Rockburne Estates</li> </ul>	8,480,000		8,500,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

	<u>2002</u>	<u>2001</u>
23) 1999 Series bonds due July 1, 2031 with an interest rate of 7.25%. • Garfield Park Apartments	3,222,964	3,254,898
24) 1999 Series bonds due January 1, 2005 with an interest rate of 4.4%. • Wheeler Terrace	1,645,000	1,645,000
25) 1999 A Series bonds due December 1, 2039 with an interest rate of 6.1%. • Walbraff Apartments	1,980,000	1,990,000
26) 1999 Series bonds due May 1, 2032 with an interest rate of 7.38%. • Barnaby Manor Apartments	4,482,668	4,500,000
27) 1999 Series bonds due January 1, 2036 with an interest rate of 6.9%. • Fort Chaplin Apartments	25,473,560	25,664,898
28) 1999/2000 Series bond due May 1, 2042 with interest rates ranging from 5.6% to 6.28%. • Staten Glenn Apartments	23,325,000	23,325,000
29) 2000 Series bond due April 1, 2032 with interest rate 7.96%. • Widrich Court Apartments	3,572,239	3,575,000
30) 2000 Series bond due October 1, 2001 through November 20, 2036 with interest rates ranging from 5.95% to 9.0%. • Congress Park Plaza	4,630,000	5,510,000
31) 2000 Series C bond due June 1, 2040 with interest rate 6.5%. • 636 Coop	610,000	610,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

		<u>2002</u>	<u>2001</u>
32)	2000 Series bonds due March 1, 2023 with interest rate 6.15%. <ul style="list-style-type: none"> <li>• Aspen Court</li> </ul>	4,100,000	4,100,000
33)	2000 Series A bonds due December 1, 2042 with interest rate 6.5%. <ul style="list-style-type: none"> <li>• Haven House</li> </ul>	835,000	835,000
34)	2000 Series B bonds due December 1, 2002 with interest rate 5.55%. <ul style="list-style-type: none"> <li>• Haven House</li> </ul>	810,000	810,000
35)	2000 Series D serial bonds due December 1, 2041 with an interest rate of 6.10%. <ul style="list-style-type: none"> <li>• Chesapeake/Hartford/Knox</li> </ul>	4,595,000	4,610,800
36)	2000 Series Revenue bonds due August 1, 2033 with interest rates ranging from 5.7% to 7.15%. <ul style="list-style-type: none"> <li>• Carver Terrace</li> </ul>	15,350,000	15,350,000
37)	2000 Series Mortgage Revenue bonds due December 1, 2033 with an interest rate of 2.052%. <ul style="list-style-type: none"> <li>• WDC 1 Limited Partnership Development</li> </ul>	8,825,000	8,825,000
38)	2001 Series A serial bonds due January 1, 2043 with interest rate 5.9%. <ul style="list-style-type: none"> <li>• Douglas Knoll (Douglas Gardens)</li> </ul>	10,014,000	10,014,000
39)	2001 Series Mortgage Revenue bonds due November 1, 2033 with variable interest rates. <ul style="list-style-type: none"> <li>• Clifton Terrace</li> </ul>	10,700,000	10,700,000

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

		<u>2002</u>	<u>2001</u>
40)	2001 Series B serial bonds due December 1, 2042 with interest rates ranging from 5.55% to 5.56%. <ul style="list-style-type: none"> <li>• Parkway Overlook</li> </ul>	11,600,000	11,600,000
41)	2001 Series C serial taxable term bonds due December 1, 2019 with interest rates ranging from 6.625% to 7.125%. <ul style="list-style-type: none"> <li>• Parkway Overlook</li> </ul>	2,465,000	2,465,000
42)	2001 Series D tax exempt term bonds due December 1, 2008 with an interest rate of 5.00%. <ul style="list-style-type: none"> <li>• Parkway Overlook</li> </ul>	740,000	830,000
43)	2001 Series D serial bonds due December 1, 2037 with interest an rate of 5.70%. <ul style="list-style-type: none"> <li>• Meridian Manor Apartments</li> </ul>	2,400,000	2,400,000
44)	2001 Series Woodmont Crossing Apartments bonds due September 1, 2034 with an interest rate of 5.45%. <ul style="list-style-type: none"> <li>• Woodmont Crossing Apartments</li> </ul>	10,400,000	10,400,000
45)	2001 Series E serial bonds due June 1, 2038 with an interest rate of 5.45%. <ul style="list-style-type: none"> <li>• Huntwood Apartments</li> </ul>	6,850,000	6,850,000
46)	2001 Series serial bonds due November 1, 2033 with an interest rate of 2.5%. <ul style="list-style-type: none"> <li>• Edgewood Terrace</li> </ul>	8,000,000	-
47)	2001 Series serial bonds due May 20, 2043 with interest rates ranging from 5% to 7%. <ul style="list-style-type: none"> <li>• Columbia Heights</li> </ul>	34,760,000	-
48)	2002 Series serial bonds due July 20, 2043 with interest rates ranging from 5.65% to 5.80%. <ul style="list-style-type: none"> <li>• Jeffrey Gardens</li> </ul>	12,285,000	-

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

	<u>2002</u>	<u>2001</u>
49) 2002 Series serial bonds due January 1, 2035 with an interest rate of 1.57%		
• Trenton Park	6,335,000	-
50) 2002 Series serial bonds due March 1, 2039 with interest rates ranging from 7.2% to 7.9%		
• Faircliff Plaza	7,000,000	-
51) 2002 Series A serial bonds due June 1, 2039 with an interest rate of 5.75%		
• Chapin St./Euclid St.	1,450,000	-
52) 2002 Series B serial bonds due June 1, 2004 with an interest rate of 3.5%		
• Chapin St./Euclid St.	200,000	-
53) 2002 Series C serial bonds due June 1, 2039 with an interest rate of 5.75%		
• Chapin St./Euclid St.	1,225,000	-
54) 2002 Series D serial bonds due June 1, 2004 with an interest rate of 3.5%		
• Chapin St./Euclid St.	275,000	-
55) 2002 Series serial bonds due December 1, 2038 with interest rates ranging from 3% to 5.55%		
• Trinity Towers	9,200,000	-
56) 2002 Series E serial bonds due December 1, 2044 with interest rates ranging from 4.75% to 5.7%		
• Golden Rule	6,370,000	-

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

	<u><b>2002</b></u>	<u><b>2001</b></u>
57) 2002 Series F serial bonds due December 1, 2044 with an interest rate of 3.5%		
• Golden Rule	<u>2,500,000</u>	<u>-</u>
Subtotal	424,048,979	366,282,068
Add: Unamortized Bond Premium	376,290	390,178
Less: Unamortized Bond Discount	<u>(478,304)</u>	<u>(538,196)</u>
Total Multi-Family Program Fund	<u>423,946,965</u>	<u>366,134,050</u>
Total Bonds Payable	907,299,305	861,999,114
Less: amounts due within 1 year	<u>(14,405,000)</u>	<u>(102,820,000)</u>
	<u><b>\$892,894,305</b></u>	<u><b>\$ 759,179,114</b></u>

The Agency or the borrower has the option to redeem the various bonds at premiums ranging up to 5%. This option generally cannot be exercised until the bonds have been outstanding for ten years as provided in the various indentures. Term bonds are generally subject to redemption, without premium, from mandatory sinking fund payments.

Amounts payable subsequent to 2002, when actually due, will include additional accretion on capital appreciation bonds and the effects of amortization of both premium and discount.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

Principal payments related to bond indebtedness for the next five years and the following in five year increments are as follows:

Fiscal Year Ending <u>September 30,</u>	Multi-Family Program <u>Fund</u>	Single-Family Program <u>Fund</u>	<u>Total</u>
2003	\$ 11,785,000	\$ 2,620,000	\$14,405,000
2004	10,555,000	2,690,000	13,245,000
2005	2,450,000	2,440,000	4,890,000
2006	90,000	2,220,000	2,310,000
2007	460,000	2,320,000	2,780,000
2008-2012	18,105,000	18,438,980	36,543,980
2013-2017	9,970,000	5,647,000	15,617,000
2018-2022	20,525,000	43,760,000	64,285,000
2023-2027	109,820,000	59,205,000	169,025,000
2028-2032	48,271,419	139,435,000	187,706,419
2033-2037	80,958,560	200,495,000	281,453,560
2038-2042	63,665,000	-	63,665,000
2043-2047	<u>47,394,000</u>	<u>-</u>	<u>47,394,000</u>
Subtotals	424,048,979	479,270,980	903,319,959
Add:			
unamortized bond premium	376,290	4,817,065	5,193,355
Less:			
unamortized bond discount	<u>(478,304)</u>	<u>(735,705)</u>	<u>(1,214,009)</u>
Totals	<u>\$423,946,965</u>	<u>\$483,352,340</u>	<u>\$907,299,305</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 6: BONDS PAYABLE (Continued)**

Interest payments related to bond indebtedness for the next five years and the following in five year increments are as follows:

Fiscal Year Ending <u>September 30,</u>	Multi-Family Program <u>Fund</u>	Single-Family Program <u>Fund</u>	<u>Total</u>
2003	\$ 23,463,323	\$ 20,804,483	\$ 44,267,806
2004	22,802,122	20,683,215	43,485,337
2005	22,338,820	20,563,627	42,902,447
2006	22,305,580	20,466,899	42,772,479
2007	22,289,307	20,367,002	42,656,309
2008-2012	109,328,722	98,944,630	208,273,352
2013-2017	103,810,572	95,317,466	199,128,038
2018-2022	101,118,455	86,609,378	187,727,833
2023-2027	85,793,461	68,761,203	154,554,664
2028-2032	62,545,652	39,222,680	101,768,332
2033-2037	41,020,898	4,041,683	45,062,581
2038-2042	24,094,723	-	24,094,723
2043-2047	<u>2,942,506</u>	<u>-</u>	<u>2,942,506</u>
	<u>\$643,854,141</u>	<u>\$495,782,266</u>	<u>\$1,139,636,407</u>

**NOTE 7: DEFERRED CREDIT**

The deferred credit balance represents funds contributed by the owners of the projects and/or funds received from tax credit providers (LIHTC) that have been financed by the Agency. These funds are offset against rehab financed through tax credits upon completion of the projects, or disbursed at the end of the mortgage period or earlier, if necessary.

**NOTE 8: DEFERRED REVENUE**

Deferred revenue represents funds received in advance and unearned at year end, or funds related to non-refundable fees and costs associated with financing activities. Funds are deferred and recognized over the life of the mortgage.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 9: CERTIFICATES OF PARTICIPATION**

On July 1, 1998, the Agency entered into a lease agreement with the District of Columbia Building Finance Corporation (the Building Corporation) to lease office space at 815 Florida Avenue, NW., Washington, D.C. (the Building). The Building was financed by proceeds from the Agency's issuance of Certificates of Participation, Series 1998 (the Certificates) evidencing assignments of interest in rights to receive payments under the lease.

The lease term is through June 2018; however, the Agency has an annual right to terminate the lease in the event that the Agency fails to appropriate sufficient amounts due under the lease terms for the ensuing fiscal year. The Agency also has the option to purchase the Building at any time during the lease at an amount necessary to discharge the Certificates.

The Board of Directors of the Building Corporation is comprised fully by members of the Agency's management. Since the Corporation is controlled by the Agency and it is the Agency's intention to continue the lease until title to the Building is acquired by the Agency, the Building and Certificates are presented in the financial statements as if the Agency owned and financed the Building. This activity is recorded in a separate fund, the D.C. Building Finance Corporation Fund (Building Fund). Inter-fund transactions are recorded between the General Fund and the Building Fund to reflect the lease activity. Rental income for the year ended September 30, 2002 amounted to \$194,062 and is included in Building Fund revenue. Rental expense of \$187,667 is reflected in the General Fund expenses. Improvements are funded by and recorded in the General Fund. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term.

The Certificates were issued in an original principal amount of \$2,400,000. Interest is payable semi-annually at 4.85% for Certificates due June 1, 2008, and 5.35% for Certificates due June 1, 2018.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 9: CERTIFICATES OF PARTICIPATION (Continued)**

Principal and interest payments related to the Certificates for the next five years and the following in five year increments are as follows:

Fiscal Year Ending Sept.30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 100,000	\$ 105,051	\$ 205,051
2004	100,000	100,201	200,201
2005	105,000	95,270	200,270
2006	110,000	90,097	200,097
2007	115,000	84,681	199,681
2008-2012	600,000	288,395	888,395
2013-2017	750,000	202,498	952,498
2018-After	<u>175,000</u>	<u>6,242</u>	<u>181,242</u>
	<u>\$2,055,000</u>	<u>\$ 972,435</u>	<u>\$3,027,435</u>

**NOTE 10: NET ASSETS**

**McKinney Act Fund** - The Agency qualifies for 50% of the savings resulting from Financing Adjustment Factors (FAF) on Section (11)(b) bond refunding transactions. These funds are restricted in nature as they are only to be used to benefit very low-income persons. As a result, the Agency established a revolving loan fund for non-profit developers to, provide credit enhancement or loan guarantees, and finance certain special need projects, such as, shelter for the Districts homeless and facilities for individuals who have contracted AIDS.

**Bond Fund and Risk Share Program** - The Agency's allocated net assets are reserved for the repayment of the respective bond issues. In addition, the initial deposit made to participate in the Risk Sharing Program and the 1% of the FHA insured mortgage balances in the Risk Sharing Program account are restricted.

**NOTE 11: FEDERAL FINANCIAL ASSISTANCE TRANSACTIONS WITH HUD**

**Section "8" Program** - In accordance with the terms of contracts between the Agency and HUD, the Agency administers a rental assistance program as HUD's agent for certain projects financed by the Agency. This program, referred to as the "Section 8 Program," allows eligible tenants to obtain adequate rental housing in the private marketplace while paying no more than 30% of their monthly income for rent.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 11: FEDERAL FINANCIAL ASSISTANCE TRANSACTIONS WITH HUD  
(Continued)**

The Agency earns an administrative fee on a formula basis for administering the program. This administrative fee is recognized as income when earned.

**Servicing Projects Grants** - In accordance with the terms of contracts between and among the Agency, HUD and certain owners, the Agency services the mortgages with funds received from HUD on behalf of the owners.

The Agency earns a servicing fee on a formula basis for servicing the mortgages. This servicing fee is recognized as income when earned. The Agency also earns an administrative fee received directly from the owners on a formula basis, and this fee is also recognized as income when earned.

**NOTE 12: RETIREMENT PLAN**

The Agency established a defined contribution, money purchase retirement plan, effective October 1, 1982, covering all eligible Agency employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Agency incurs a retirement plan expense for all full-time employees in an amount equal to 7.65% of total compensation.

The expense amounted to \$123,665 and \$168,900, for September 30, 2002 and 2001, respectively. Employees vest in Agency contributions and earnings thereon over a period of six years. To the extent that terminating employees are less than 100% vested and are not otherwise entitled to receive the Agency's contribution, the Agency's invested portion is forfeited and reverts to the benefit of the plan.

There are no unfunded prior service costs associated with this retirement plan.

The Agency amended its Retirement Plan, a Money Purchase Pension Plan (the Plan) effective August 10, 2002. Due to the amendment, future Agency contributions to the Plan ceased effective August 10, 2002. The amendment also provides that each participant and former participant with an account balance under the Plan as of such date shall be 100% vested in his or her account. Concurrent with the amendment, the Agency commenced participating in the Social Security and Medicare programs.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 13: OTHER INCOME**

The Agency's other income for 2002 is comprised of the following:

	<u>General Fund</u>	<u>Single Family Program Fund</u>	<u>Multi- Family Program Fund</u>	<u>DC Building Finance Corporation Fund</u>	<u>Total</u>
Owner's contribution	\$ -	\$ 5,082	\$ 5,198,832	\$ -	\$ 5,203,914
Gain on distribution of property	-	17,972	-	-	17,972
Amortization income	-	694,069	88,618	-	782,687
Financing fees	1,214,800	-	-	-	1,214,800
Annual administrative fees	1,317,367	-	-	-	1,317,367
Permitted spread	776,020	-	-	-	776,020
Servicing acquisition fee	145,562	-	-	-	145,562
Participation fee/reservation fee	197,107	-	-	-	197,107
FHA financing fee	279,890	-	-	-	279,890
Construction and development monitoring fees	564,063	-	-	-	564,063
Single family transaction earnings-purchase in lieu	240,946	-	-	-	240,946
FHA placement fee	171,020	-	-	-	171,020
Tax credit fees	337,490	-	-	-	337,490
HAP audit fee	27,500	-	-	-	27,500
HAP administrative fee	325,002	-	-	-	325,002
Bond transaction revenue-M/F purchase in lieu	299,704	-	-	-	299,704
Rental income	4,850	-	-	194,062	198,912
National Mortgage loan originations	398,900	-	-	-	398,900
Legal fees	185,750	-	-	-	185,750
Mortgage servicing fees	64,252	-	-	-	64,252
S/F Direct loan origination fee	93,889	-	-	-	93,889
Misc income	56,647	-	-	-	56,647
MIP Risk Share program	19,298	-	-	-	19,298
External loan processing fees	9,047	-	-	-	9,047
Arbitrage rebate fee	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
	<u>\$6,731,104</u>	<u>\$ 717,123</u>	<u>\$5,287,450</u>	<u>\$194,062</u>	<u>\$12,929,739</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 14: FUND TRANSFERS**

The Agency records transfers between and among funds for various purposes, including subsidies for financing the Agency's programs. All operating transfers among program funds are recorded as inter-fund transfers and are classified as other financing sources and uses in the accompanying combined statement of revenues, expenses and changes in net assets.

**NOTE 15: EXTRAORDINARY ITEM**

Multifamily Mortgage bonds – Chastleton Apartments 1992 were redeemed during fiscal year 2002. The premiums paid on the redemptions and other directly related costs resulted in the recognition of an extraordinary loss of \$67,961 on early extinguishment of debt.

**NOTE 16: CONTINGENT LIABILITY**

**Contingent Interest**

The Multi-Family Housing Revenue Bonds, Series 1995A - Tyler House Apartments, bear interest at a fixed rate of 7.52% per annum plus contingent interest in an amount equal to 3.48% per annum of the outstanding principal amount of bonds. The contingent interest is payable from 50% of the property's net cash flow and 33% of any net capital proceeds. The payment of such amounts is deferred, and accrues interest at 11% per annum, to the extent that the net cash flow and net capital proceeds are not sufficient to fully pay contingent interest.

The contingent interest including interest on deferred amounts was \$4,522,751 as of September 30, 2002.

**NOTE 17: SUBSEQUENT EVENTS**

**Bonds**

The Agency issued the following bonds:

- 1) Multi-Family Housing Revenue Bonds
  - Series 2002 for \$30 million dated October 1, 2002
  - Series 2002 I for \$4.08 million dated October 1, 2002
  - Series 2002 for \$4.14 million dated October 24, 2002
  - Series 2002J for \$16.125 million dated December 30, 2002
- 2) On December 13, 2002 Single Family Draw Down Bonds Series 2002 for \$300 million.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002 AND 2001**

**NOTE 17: SUBSEQUENT EVENTS (Continued)**

Also, on December 13, 2002, the Agency redeemed the outstanding \$220.13 million Single-Family Draw-Down Bond Series 1999.

**McKinney Act Loan**

On October 1, 2002, the Agency made a McKinney Act loan to the Carver 2000 Tenants Association, Inc. in the amount of \$2,391,748 for costs associated with the acquisition of the George Washington Carver Apartments.

**NOTE 18: RECLASSIFICATION OF PRIOR YEAR BALANCES**

The 2001 financial statements contain the reclassification of certain amounts, which have been made in order to conform to the classifications used in 2002, primarily changing the cash flow statement to the direct method, as required by GASB Statement No. 34.

# **SUPPLEMENTAL INFORMATION**

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINING BALANCE SHEET**  
**SEPTEMBER 30, 2002**

	<u>General Fund</u>	<u>Single-Family Program Fund</u>	<u>Multi-Family Program Fund</u>	<u>DC Building Finance Corporation Fund</u>	<u>Memorandum Totals</u>	
					<u>2002</u>	<u>2001</u>
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 12,800,633	\$ -	\$ -	\$ -	\$ 12,800,633	\$ 12,174,326
Restricted cash and cash equivalents	8,390,020				8,390,020	7,843,001
Other receivables	618,101				618,101	542,005
Mortgage and construction loans receivable	<u>253,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,186</u>	<u>280,421</u>
Total current assets	<u>22,061,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,061,940</u>	<u>20,839,753</u>
<b>NON-CURRENT ASSETS:</b>						
Restricted assets:						
Cash and cash equivalents	-	7,518	241,285	-	248,803	521,201
Investments held in trust	-	255,362,340	82,032,693	244,209	337,639,242	314,193,116
Mortgage backed securities at fair value	-	249,349,151	68,916,281	-	318,265,432	324,973,672
Mortgage and construction loans receivable	-	6,167,376	325,257,590	-	331,424,966	283,133,491
Rehab financed by tax credits	-	-	8,703,871	-	8,703,871	3,957,993
Loans receivable	-	-	1,493,400	-	1,493,400	1,406,270
McKinney Act funds receivable	1,694,380	-	-	-	1,694,380	2,274,036
Other receivables	206,680	-	8,315,963	68,889	8,591,532	10,256,358
Accrued interest receivable	-	<u>2,277,429</u>	<u>2,305,420</u>	<u>-</u>	<u>4,582,849</u>	<u>6,786,137</u>
Total restricted assets	<u>1,901,060</u>	<u>513,163,814</u>	<u>497,266,503</u>	<u>313,098</u>	<u>1,012,644,475</u>	<u>947,502,274</u>
Capital assets, net of accumulated depreciation	<u>1,004,868</u>	<u>-</u>	<u>-</u>	<u>2,089,350</u>	<u>3,094,218</u>	<u>3,042,021</u>
Other assets:						
Investments	4,998,402	-	-	-	4,998,402	4,224,473
Loans receivable	18,166	-	140,000	-	158,166	163,649
Prepays	154,012	-	-	30,816	184,828	304,704
Due from (to) Other funds	2,712,821	(2,684,066)	(25,546)	(3,209)	-	-
Bond issue costs—net	-	<u>2,753,805</u>	<u>12,838,644</u>	<u>107,212</u>	<u>15,699,661</u>	<u>15,243,097</u>
Total other assets	<u>7,883,401</u>	<u>69,739</u>	<u>12,953,098</u>	<u>134,819</u>	<u>21,041,057</u>	<u>19,935,923</u>
Total non-current assets	<u>10,789,329</u>	<u>513,233,553</u>	<u>510,219,601</u>	<u>2,537,267</u>	<u>1,036,779,750</u>	<u>970,480,218</u>
<b>TOTAL ASSETS</b>	<u>\$ 32,851,269</u>	<u>\$ 513,233,553</u>	<u>\$ 510,219,601</u>	<u>\$ 2,537,267</u>	<u>\$ 1,058,841,690</u>	<u>\$ 991,319,971</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued liabilities	\$ 841,699	\$ 36,113	\$ 464,542	\$ 208,276	\$ 1,550,630	\$ 2,777,383
Accrued salary and vacation payable	175,511	-	-	-	175,511	151,772
Deferred revenue	580,822	-	-	-	580,822	657,272
Current portion of bonds payable	-	2,620,000	11,785,000	-	14,405,000	102,820,000
Current portion of Certificates of Participation	-	-	-	100,000	100,000	95,000
Total current liabilities	<u>1,598,032</u>	<u>2,656,113</u>	<u>12,249,542</u>	<u>308,276</u>	<u>16,811,963</u>	<u>106,501,427</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>						
Tenant subsidy funds	856,901	-	-	-	856,901	1,350,384
Escrow deposits	1,359,034	-	-	-	1,359,034	1,192,796
Deferred credits	-	6,200,000	38,608,969	-	44,808,969	41,986,485
Deferred revenue	364,545	1,026,233	637,895	112,233	2,140,906	2,813,631
Interest payable	-	<u>5,792,988</u>	<u>5,148,828</u>	<u>35,556</u>	<u>10,977,372</u>	<u>12,430,048</u>
Total current liabilities payable from restricted assets	<u>2,580,480</u>	<u>13,019,221</u>	<u>44,395,692</u>	<u>147,789</u>	<u>60,143,182</u>	<u>59,773,344</u>
<b>NON-CURRENT LIABILITIES:</b>						
Deferred revenue-less current portion	364,546	-	-	-	364,537	729,082
Loans payable	-	250,000	10,762,742	-	11,012,742	3,677,447
Bonds payable-less current portion	-	480,732,340	412,161,965	-	892,894,305	759,179,114
Certificate of Participation-less current portion	-	-	-	1,955,000	1,955,000	2,055,000
Total non-current liabilities	<u>364,546</u>	<u>480,982,340</u>	<u>422,924,707</u>	<u>1,955,000</u>	<u>906,226,584</u>	<u>765,640,643</u>
Total liabilities	<u>4,543,058</u>	<u>496,657,674</u>	<u>479,569,941</u>	<u>2,411,065</u>	<u>983,181,729</u>	<u>931,915,414</u>
<b>NET ASSETS:</b>						
Invested in capital assets—net of related debt	<u>988,943</u>	<u>-</u>	<u>-</u>	<u>34,350</u>	<u>1,023,293</u>	<u>872,796</u>
Restricted for:						
Bond Fund and Risk Share Program	1,089,218	16,575,879	30,649,660	35,556	48,350,313	32,632,888
McKinney Act Fund	<u>5,398,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,398,908</u>	<u>4,797,793</u>
Total restricted net assets	<u>6,488,126</u>	<u>16,575,879</u>	<u>30,649,660</u>	<u>35,556</u>	<u>53,749,221</u>	<u>37,430,681</u>
Unrestricted net assets	<u>20,831,142</u>	<u>-</u>	<u>-</u>	<u>56,296</u>	<u>20,887,447</u>	<u>21,101,080</u>
<b>TOTAL NET ASSETS</b>	<u>28,308,211</u>	<u>16,575,879</u>	<u>30,649,660</u>	<u>126,202</u>	<u>75,659,961</u>	<u>59,404,557</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 32,851,269</u>	<u>\$ 513,233,553</u>	<u>\$ 510,219,601</u>	<u>\$ 2,537,267</u>	<u>\$ 1,058,841,690</u>	<u>\$ 991,319,971</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**SEPTEMBER 30, 2002**

	<u>General Fund</u>	<u>Single-Family Program Fund</u>	<u>Multi-Family Program Fund</u>	<u>DC Building Finance Corporation Fund</u>	<u>Memorandum Totals</u>	
					<u>2002</u>	<u>2001</u>
<b>OPERATING REVENUES:</b>						
Mortgage backed security income	\$ -	\$21,523,666	\$ 7,208,124	\$ -	\$28,731,790	\$32,787,064
Interest on mortgage and construction loans	18,961	605,923	15,974,967	-	16,599,851	15,957,800
HUD Section 8 housing assistance receipts	13,064,801	-	-	-	13,064,801	12,987,275
Service project receipts	6,235,820	-	-	-	6,235,820	5,909,850
McKinney Act revenue	666,439	-	-	-	666,439	822,726
Application and commitment fees	101,486	-	-	-	101,486	85,812
Other	<u>6,731,104</u>	<u>717,123</u>	<u>5,287,450</u>	<u>194,062</u>	<u>12,929,739</u>	<u>13,574,438</u>
Total operating revenues	<u>26,818,611</u>	<u>22,846,712</u>	<u>28,470,541</u>	<u>194,062</u>	<u>78,329,926</u>	<u>82,124,965</u>
<b>OPERATING EXPENSES:</b>						
Operations	1,026,014	332,052	2,857,585	-	4,215,651	3,759,060
Personnel and related costs	3,236,576	-	-	-	3,236,576	2,723,323
Program payments	10,282,457	-	-	-	10,282,457	10,000,095
Housing assistance payments	9,018,164	-	-	-	9,018,164	8,897,030
Depreciation and amortization	170,547	-	-	66,490	237,037	171,377
Bond amortization	-	1,520,759	1,589,338	10,348	3,120,445	910,541
Trustee fees and other expenses	20,020	576,014	2,801,235	1,000	3,398,269	3,824,304
Interest expense	<u>-</u>	<u>24,088,004</u>	<u>15,510,078</u>	<u>109,829</u>	<u>39,707,911</u>	<u>43,625,837</u>
Total operating expenses	<u>23,753,778</u>	<u>26,516,829</u>	<u>22,758,236</u>	<u>187,667</u>	<u>73,216,510</u>	<u>73,911,567</u>
<b>OPERATING INCOME</b>	<u>3,064,833</u>	<u>(3,670,117)</u>	<u>5,712,305</u>	<u>6,395</u>	<u>5,113,416</u>	<u>8,213,398</u>
<b>NON-OPERATING REVENUES</b>						
Investment income	<u>340,949</u>	<u>6,704,494</u>	<u>4,159,525</u>	<u>4,981</u>	<u>11,209,949</u>	<u>17,392,466</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE EXTRAORDINARY ITEM</b>						
	3,405,782	3,034,377	9,871,830	11,376	16,323,365	25,605,864
<b>EXTRAORDINARY ITEM – LOSS ON EXTINGUISHMENT OF DEBT</b>						
	<u>-</u>	<u>-</u>	<u>(67,961)</u>	<u>-</u>	<u>(67,961)</u>	<u>(98,331)</u>
<b>CHANGE IN NET ASSETS</b>	3,405,782	3,034,377	9,803,869	11,376	16,255,404	25,507,533
<b>NET ASSETS, Beginning of Year</b>	<u>24,902,429</u>	<u>13,541,502</u>	<u>20,845,791</u>	<u>114,826</u>	<u>59,404,548</u>	<u>33,897,015</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 28,308,211</u>	<u>\$ 16,575,879</u>	<u>\$ 30,649,660</u>	<u>\$ 126,202</u>	<u>\$75,659,952</u>	<u>\$59,404,548</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**SEPTEMBER 30, 2002**

	<b>General Fund</b>	<b>Single-Family Program Fund</b>	<b>Multi-Family Program Fund</b>	<b>DC Building Finance Corporation Fund</b>	<b><u>Memorandum Totals</u></b>	
					<b><u>2002</u></b>	<b><u>2001</u></b>
<b>Cash Flows from Operating Activities:</b>						
Cash receipts from (purchases to) loans and interest	\$ 27,235	\$ 71,585,367	\$ (44,040,259)	\$ -	\$ 27,572,343	\$ 43,744,782
Other cash receipts	7,620,449	23,055	5,199,708	186,807	13,030,019	11,102,099
Cash payments to vendors	(2,195,826)	-	-	-	(2,195,826)	(1,313,612)
Cash payments to employees	(3,212,838)	-	-	-	(3,212,838)	(2,724,211)
Receipts of federal program income	18,807,835	-	-	-	18,807,835	20,132,278
Payments of federal program	(19,301,318)	-	-	-	(19,301,318)	(18,897,125)
Other cash payments	(10,005)	(905,932)	(5,531,922)	(1,000)	(6,448,859)	(7,151,919)
Net Cash Provided (Used)	<u>1,735,532</u>	<u>70,702,490</u>	<u>(44,372,473)</u>	<u>185,807</u>	<u>28,251,356</u>	<u>44,892,292</u>
<b>Capital and Related Financing Activities:</b>						
Acquisition of fixed assets	(289,233)	-	-	-	(289,233)	(242,988)
Payments of long term debt	-	-	-	(95,000)	(95,000)	(90,000)
Payments of interest and charges	-	-	-	(111,275)	(111,275)	(114,095)
Net Cash Used	<u>(289,233)</u>	<u>-</u>	<u>-</u>	<u>(206,275)</u>	<u>(495,508)</u>	<u>(447,083)</u>
<b>NonCapital Financing:</b>						
Proceeds in rehab financed by tax ..	-	-	(32,420,016)	-	(32,420,016)	(11,549,915)
Proceeds from long term bonds	-	139,114,909	89,659,570	-	228,774,479	210,137,282
Payments of long term debt	-	(152,115,710)	(31,892,657)	-	(184,008,367)	(178,530,000)
Payments of interest and charges	-	(25,179,291)	(16,237,141)	-	(41,416,432)	(45,047,526)
Proceeds of notes/loans payable	-	250,000	7,085,295	-	7,335,295	3,677,447
Net Cash Provided (Used)	<u>-</u>	<u>(37,930,092)</u>	<u>16,195,051</u>	<u>-</u>	<u>(21,735,041)</u>	<u>(21,312,712)</u>
<b>Investing Activities:</b>						
Receipts of interest and dividends	334,718	7,925,653	4,895,752	4,981	13,161,104	14,828,026
Purchase of investments	(6,330,165)	(295,636,932)	(205,411,890)	(193,607)	(507,572,594)	(504,091,339)
Sale of investments	5,722,474	254,508,192	228,851,851	209,094	489,291,611	476,568,846
Net Cash Provided (Used)	<u>(272,973)</u>	<u>(33,203,087)</u>	<u>28,335,713</u>	<u>20,468</u>	<u>(5,119,879)</u>	<u>(12,694,467)</u>
Increase (Decrease) in Cash	1,173,326	(430,689)	158,291	-	900,928	10,438,030
Cash and cash equivalents at October 1	<u>20,017,327</u>	<u>438,207</u>	<u>82,994</u>	<u>-</u>	<u>20,538,528</u>	<u>10,100,498</u>
Cash and cash equivalents at September 30	<u>\$ 21,190,653</u>	<u>\$ 7,518</u>	<u>\$ 241,285</u>	<u>\$ -</u>	<u>\$ 21,439,456</u>	<u>\$ 20,538,528</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>						
Operating income (loss)	\$ 3,064,833	\$ (3,670,117)	\$ 5,712,305	\$ 6,395	\$ 5,113,416	\$ 8,213,407
Extraordinary loss	-	-	(67,961)	-	(67,961)	(98,331)
Depreciation	170,547	-	-	66,490	237,037	171,458
Miscellaneous nonoperating revenue	-	20,383,076	11,519,985	-	31,903,061	43,350,692
Receivables	579,656	380,355	67,810	-	1,027,821	(1,543,202)
Other current assets	46,436	-	(3,493)	3,438	46,381	(9,540,898)
Loans receivable	5,483	-	(87,130)	-	(81,647)	(76,931)
Payables	(1,247,918)	2,135	19,032	-	(1,226,751)	572,538
Accrued liabilities	23,738	-	-	-	23,738	(888)
Deferred revenue and credits	(440,995)	826,689	1,768,050	(345)	2,153,399	269,412
Other current liabilities and changes in mortgage loans	(466,248)	52,780,352	(63,301,071)	109,829	(10,877,138)	3,575,035
Net Cash Provided (Used)	<u>\$ 1,735,532</u>	<u>\$ 70,702,490</u>	<u>\$ (44,372,473)</u>	<u>\$ 185,807</u>	<u>\$ 28,251,356</u>	<u>\$ 44,892,292</u>

**REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
District of Columbia Housing Finance Agency

We have audited the financial statements of the District of Columbia Housing Finance Agency (the Agency) as of and for the year ended September 30, 2002, and have issued our report thereon dated December 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Compliance***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Washington, D.C.  
December 31, 2002

**REPORT ON  
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
District of Columbia Housing Finance Agency

***Compliance***

We have audited the compliance of the District of Columbia Housing Finance Agency (the Agency) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2002. The Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2002.

### ***Internal Control Over Compliance***

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to its federal program. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### ***Schedule of Federal Award Expenditures***

We have audited the financial statements of the Agency as of and for the year ended September 30, 2002, and have issued our report thereon dated December 31, 2002. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of federal award expenditures is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Washington, D.C.  
December 31, 2002

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM-CFDA 14.156	Contract List Number	Section 8 Project Number	Section 8 Project Number	Project Period	Maximum Annual Contract Contrib.	Accrued (Deferred) Grant Revenue 09/30/01	Net Cash Received 10/01/01 to 09/30/02	Interest Income-Net	2002 AGENCY EXPENDITURES				Accrued (Deferred) Grant Revenue 09/30/02
									HAP Payment	Audit Fees	Admin. Fees Earned/ Expenditures	Total	
1312 Euclid Limited Partnership	P82-452	DC39-H001-007		20 YEARS	\$ -	\$ (45,371)	\$ -	-	\$ -	\$ -	\$ 45,371	\$ 45,371	\$ -
Kenyon Limited Partnership	P82-627	DC39-H001-009	DC901SH0009	20 YEARS	200,735	(52,934)	200,606	16	189,986	2,500	6,626	199,112	(54,444)
Ritch Home – R street Limited Partnership	P82-630	DC39-H012-019	DC901SB0019	20 YEARS	438,417	(31,240)	384,369	19	382,654	2,500	15,462	400,616	(15,012)
Franklin Commons Joint Venture	P82-453	DC39-H001-004	DC901NH0004	20 YEARS	1,007,009	10,448	950,893	63	950,397	2,500	36,816	989,713	49,205
Garfield Hill Associates	P82-506	DC39-H001-002	DC901SH0002	20 YEARS	1,138,079	(460,046)	768,296	86	1,045,868	2,500	34,236	1,082,604	(145,824)
Southview Associates II	P84-027	DC39-H001-005	DC901SH0005	20 YEARS	1,634,354	(156,925)	1,413,704	85	1,442,348	2,500	58,533	1,503,381	(67,333)
Wheeler Terrace Limited Partnership	P84-109	DC39-0017-002	DC901DS0002	20 YEARS	1,020,695	(48,146)	901,573	55	876,143	2,500	41,940	920,583	(29,191)
Congress Park Associates II	P84-107	DC39-0017-001	DC901DS0001	20 YEARS	2,785,941	(245,612)	2,580,186	125	2,527,629	2,500	6,200	2,536,329	(289,594)
Kelsey-Park Road Limited Partnership	P84-028	DC39-H001-008	DC901NH0003	20 YEARS	1,717,796	(31,442)	1,712,867	58	1,634,195	2,500	55,981	1,692,676	(51,691)
Benning Heights Associates	P85-025	DC39-H001-003	DC901SH0003	20 YEARS	1,621,847	(142,753)	1,448,649	91	1,468,304	2,500	54,483	1,525,287	(66,206)
Temple Court Associates	P85-007	DC39-M000-065	DC901LM0065	15 YEARS	2,336,640	(56,328)	1,821,331	43	1,855,840	2,500	-	1,858,340	(19,362)
Carmel Plaza	P85-481	DC39-H001-001	DC901NH0001	20 YEARS	<u>403,338</u>	<u>(135,408)</u>	<u>388,841</u>	<u>59</u>	<u>339,632</u>	<u>2,500</u>	<u>14,725</u>	<u>356,857</u>	<u>(167,451)</u>
Subtotal					<u>14,304,851</u>	<u>(1,395,757)</u>	<u>12,571,315</u>	<u>700</u>	<u>12,712,996</u>	<u>27,500</u>	<u>370,373</u>	<u>13,110,869</u>	<u>(856,903)</u>
<b>SERVICING PROJECT:</b>													
New Parkchester Housing Coop.	P91-190	DC39-D000-025		20 YEARS	-	-	1,090,330	-	1,090,330	-	-	1,090,330	-
Benning Road Apts.	FHA 000-44165	DC39-E000-005		15 YEARS	-	-	901,824	-	901,824	-	-	901,824	-
Tyler House Apts.	FHA 000-44101	DC39-E000-026		15 YEARS	-	-	<u>4,243,666</u>	-	<u>4,243,666</u>	-	-	<u>4,243,666</u>	-
Subtotal					-	-	<u>6,235,820</u>	-	<u>6,235,820</u>	-	-	<u>6,235,820</u>	-
<b>HOME PROGRAM-PASSED THROUGH D.C. DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT</b>													
	98-330	N/A		N/A	<u>N/A</u>	<u>(6,200,000)</u>	-	-	-	-	-	-	<u>(6,200,000)</u>
<b>CKL RECONSTRUCTION PROGRAM- PASSED THROUGH D.C. DPW</b>													
	MOU (Stanton Glenn Retaining Wall)				-	-	<u>95,000</u>	-	<u>95,000</u>	-	-	<u>95,000</u>	-
<b>Total Federal Financial Assistance Programs</b>													
					<u>\$14,304,851</u>	<u>\$ (7,595,757)</u>	<u>\$18,902,135</u>	<u>\$700</u>	<u>\$19,043,816</u>	<u>\$27,500</u>	<u>\$370,373</u>	<u>\$19,441,689</u>	<u>\$ (7,056,903)</u>

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2002**

**NOTE 1: BACKGROUND AND PURPOSE**

The Agency was created as a corporate body which has a legal existence separate from the District but which is an instrumentality of the District created to effectuate certain public purposes.

The Agency was empowered to, among other authorized activities, generate funds from public and private sources to increase the supply and lower the cost of funds available for residential mortgages, construction, and permanent multi-family rental property loans.

The Agency received its federal grant funding through HUD under Section 8 Housing Assistance Payments Program (HAP) and Mortgage Servicing Program. Federal grant activities related to these programs are included in the scope of the OMB Circular A-133 audit and are accounted for in the Agency's General Fund.

The bonds issued by the Agency are payable principally from repayment of mortgage loans financed or purchased with the proceeds of such bonds and are not debt or liabilities of the Agency or the District. The housing finance activity of the Agency, which is accounted for in three separate funds, does not involve federal financial assistance.

HUD has been designated as the cognizant agency for purposes of the OMB Circular A-133 Audit.

**NOTE 2: SUBGRANTEES**

As indicated in Note 1, the Agency's principal grant activities are payments to developers under the HUD Section 8 HAP Program. The schedule of federal award expenditures for the year ended September 30, 2002, does not contain separate statements disclosing how the developers utilize the funds. All developers are private organizations and are subject to independent audits.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The accompanying schedule of federal award expenditures for the year ended September 30, 2002, has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Agency has met the qualifications for the grant and the program-assisted developers have qualified to receive their payments.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accrued and Deferred Reimbursement** - Timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Deferred balances at year-end represent an excess of cash reimbursements received over reimbursable expenditures to date. Generally, accrued or deferred balances caused by timing differences will be reversed in the subsequent grant period.

**NOTE 4: FEDERALLY-ASSISTED PROGRAM ADVANCES AND FEES**

**Section "8" Program** - In accordance with the terms of the Section 8 HAP contracts between the Agency and HUD, the Agency administers a rental assistance program as HUD's agent for certain projects financed by the Agency. Under HAP, persons who meet HUD's Section 8 Program requirements receive rent subsidies from HUD through the Agency. The Agency requisitions funds quarterly from HUD in amounts sufficient to cover three months' estimated HAP payments and the Agency's administrative fees. These administrative fees are recognized as income when earned.

**Mortgage Servicing Program** - In accordance with the terms of contracts among the Agency, HUD and certain owners, the Agency services mortgages from funds received from HUD on behalf of the owners of the New Parkchester, Benning Road and Tyler House Projects.

The Agency earns a servicing fee on a formula basis for servicing the mortgages. The Agency also earns an administrative fee received directly from the owners on a formula basis. These fees are recognized as income when earned.

**NOTE 5: FINDINGS OF NONCOMPLIANCE**

The results of fiscal year 2002 single audit did not disclose any instances of noncompliance with the requirements applicable to major federal award expenditures.

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

**Section I Summary of Auditors Results**

**Financial Statements**

Type of auditors' report issued: unqualified

Internal control over financial reporting:

1) Material weakness(es) identified?  Yes  No

2) Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

3) Material weakness(es) identified?  Yes  No

4) Reportable condition(s) identified that are not considered to be material weakness  Yes  None Reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Number(s)      Name of Federal Program or Cluster

14.156                      Department of Housing and Urban Development-  
Section 8 Housing Assistance Payments Program

Dollar threshold used to distinguish between Type A and Type B programs: \$583,250

Auditee qualified as low-risk auditee?  Yes  No

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

**Section II Financial Statement Findings**

None.

**Section III Federal Award Findings and Questioned Costs**

None.

**Section IV Prior Year's Federal Award Findings and Questioned Costs**

None.